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Report on the progress of coordinated aid from the 24 to central and eastern Europe

Introduction

1. In July 1989 the Heads of State or Government of the 7 leading industrialized countries met in Paris (Western Economic Summit). The meeting was attended by the President of the Commission of the European Communities. In order to encourage political and economic reforms in Poland and Hungary the G-7 decided to organize economic aid for these countries and called on the other western industrialized countries to join in while entrusting the task of coordinating this aid to the Commission. Since then 24 countries have participated in this operation coordinated by the Commission in collaboration with the IMF, the World Bank and the OECD in accordance with the priorities which currently form the framework of the aid provided by the 24. For Poland and Hungary these priorities are as follows:

- improved access to the markets of the 24 for products originating in Poland and Hungary;

- agricultural supplies and re-structuring in the agricultural and foodstuffs sectors;

- protection of the environment;

- training;

- promotion of investment and industrial modernization.

Working parties have been set up in four of these areas and meet under the chairmanship of the Commission with a view to harmonizing approaches, avoiding overlap and shortfalls and as far as possible reaching agreement on joint programmes and projects.

This coordinated effort has enabled practical operations to be implemented:

- measures facilitating market access for Polish and Hungarian products became fully effective as of 1 January;

- Poland and the IMF reached an agreement on the reform programme implemented by the Polish Government following which the IMF placed a standby credit at Poland's disposal. Negotiations between the IMF and Hungary have also reached a successful conclusion including the approval of a standby credit.

- The stabilizing fund for Poland, amounting to USD 1 billion and to which many of the 24 countries are contributing, became operational.

On 30 March Hungary and the Commission of the European Communities signed an agreement relating to the first instalment, amounting to ECU 350 million, of a medium-term loan of USD 1 billion. The 24 have been asked to participate in the successive instalments of this loan. By way of contribution to structural adjustment in Hungary, Japan is actively considering a non-tied loan for this country by co-financing a structural adjustment loan (USD 200 million) from the World Bank.

- The approximate amount of loans announced by the 24 for Poland and Hungary exceeds ECU 11 billion, of which ECU 6 billion takes the form of donations. For its part the Community has set aside a budget of ECU 300 million (donations) for the implementation in 1990 of projects in the priority sectors in Poland and Hungary.

- The European Investment Bank will extend its loans to cover Poland and Hungary, amounting to ECU 1 billion, for a three year period.

- Negotiations on the creation of the European Bank for Reconstruction and Development have been completed. Its capital of ECU 10 billion covers more than 40 countries with 51% coming from the Community institutions and the Member States. The EBRD will work in favour of investment in the private sector and the improvement of infrastructure in the countries of Central and Eastern Europe.

2. The rapid political and economic developments in these countries and the need for the 24 to face up to the challenge produced by this development has made a new coordinated effort by the 24 necessary. A plan of action for coordinated aid to Bulgaria, Czechoslovakia, the GDR and Yugoslavia were submitted by the Commission to the 24 which should adopt it at the next ministerial meeting planned for 4 July. Following events in Romania the question of assistance to this country will be examined by the Ministers of the 24 at this meeting.

The contribution of the Community to the general financial effort on behalf of these additional countries will amount of ECU 200 million in 1990. Resources provided for by the Community for all the countries of Central and Eastern Europe will amount to more than ECU 2 billion for the period 1990-1992 (in the form of donations). Other countries have now decided to commit additional amounts to extend this assistance. Some of them are planning to extend of the funds established on behalf of Poland and Hungary (United Kingdom know-how fund, US Company Fund and Development Fund, etc.) and are preparing comprehensive programmes over several years (Netherlands, Denmark, Switzerland, etc.). Austria is providing for a budget of 632 million Schilling (ECU 43 million) in 1990 and Switzerland a budget of SFR 250 million over three years (ECU 145 million) and Norway has made available a budget of 100 million kroner (12,6 m ECU) for 1990.

The present document constitutes a non-exhaustive list of measures implemented by the 24 in priority sectors in Poland and Hungary and announces measures on behalf of certain Central and Eastern European countries.

1. Food supplies and agricultural rrestructuring

STATE OF FOOD SUPPLIES:

- Poland:

Food deliveries to Poland are nearly complete. They comprise: 1 138 000 tonnes of breadmaking wheat from the Community, Australia, Switzerland and Finland, 33 000 tonnes of durum wheat from Canada, 1 500 tonnes of flour from Austria, 178 000 tonnes of maize from the Community and the United States, 200 000 tonnes of barley from the Community, 115 000 tonnes of sorghum from the United States, 10 000 tonnes of beef from the Community, 5 500 tonnes of pork bellies from Canada and the USA, 1 550 tonnes of meat from Norway and 420 tonnes of sausages from Finland, and also 1 570 tonnes of fat from Norway. In addition, 6 700 tonnes of vegetable oil were delivered from the Community and Canada, 19 500 tonnes of citrus fruits by the Community, 7 675 tonnes of fish from Canada and Norway as well as fish from Iceland to the value of ECU 300 000, 1 230 tonnes of cheese from Switzerland, Finland and Norway, 4 500 tonnes of butter from the USA, 270 tonnes of powdered milk from Austria for more than USD 1 million and 166 tonnes of baby milk from Switzerland, baby food and mother's milk substitute from Finland for a total amount of FMK 13 million. Japan provided wheat for an equivalent amount of USD 25 million. Italy delivered dried beef, double concentrated tomato, olive oil, lemons, oranges, concentrated lemon and orange juice for almost LIT 49 billion.

Other products are still to be delivered:

- 500 tonnes of citrus fruits from the Community
- 1 800 tonnes of pork bellies from the USA
- baby food for an amount of USD 1.4 million dollars (Austria)
- 1 600 tonnes of rice and/or other foodstuffs for an amount of USD 1 million (Turkey)
- 10 000 tonnes of rice from Italy (LIT 9.5 billion).

In addition the USA will supply 150 000 tonnes of durum wheat which at the request of Poland will replace the 200 000 tonnes of breadmaking wheat originally offered. The USA will also deliver 70 000 tonnes of soya based foodstuffs and will continue the shipment of 400 000 tonnes of sorghum.

No further requests for food aid have been received from Poland and the Polish authorities have informed the Commission that Poland's requirements are covered until the next harvest.

- Romania

Romania has received food aid from the Community, the United States, Iceland, Austria, Spain and Switzerland. Community aid is divided into two similar instalments which comprise altogether 20 000 tonnes of beef, 5 000 tonnes of butter, 5 000 tonnes of olive oil, 125 000 tonnes of maize and 125 000 tonnes of rye for animal feed. The Romanian authorities are arranging transport of these products. Deliveries are complete with

the exception of 5 000 tonnes of beef, 5 000 tonnes of butter and olive oil transported from Spain to Italy to be refined. The USA will provide 7 500 tonnes of butter and 500 000 tonnes of maize the delivery of which began at the end of April. Ireland provided Romania with 600 tonnes of sheepmeat to the value of ECU 2 450 000 and Austria delivered animal footstuffs for an amount of ECU 69 000; Spain provided 1 000 tonnes of oranges for an amount of ECU 1 million and Switzerland 14 tonnes of milk products.

COUNTERPART FUND/POLAND

The only counterpart fund which is set up and working is the Community counterpart fund. At present it stands at PLZ 535 billion which will probably increase by PLZ 330 billion by the end of June.

Loan applications under the fund amount to almost PLZ 350 billion. Loan agreements have already been concluded for PLZ 165 billion. There is a considerable demand for projects of up to PLZ 1 billion (about ECU 100 000). This shows that individual farmers and small businessmen are beginning to invest. About one half of these projects concern livestock/meat processing and the other half vegetable production and agricultural investments.

It has further been decided that the Water Supply Foundation should receive an additional PLZ 8 billion (in addition to PLZ 4 billion already granted in January), that PLZ 20 billion should be set aside for the extension of the telephone system in rural areas and that the fund would invest PLZ 5 billion in a joint venture project between the Deutsche Genossenschaftsbank and the Bank for Food Economy.

The sale of food products provided by other donors will also generate counterpart funds. Thus the delivery of Canadian products will produce funds equivalent to CAD 6-8 million intended for rural development projects such as water supply and the extension of the telephone network.

The counterpart funds arising from Austrian deliveries amounts to PLZ 15.1 billion. These funds will be used for the establishment of a gas distribution network in 15 villages. Japanese donations have produced a fund of PLZ 3 billion (May 1990) and as regards aid from Italy the value should reach an amount equivalent to LIT 120 billion.

Part of the Swiss counterpart funds has already been used for water supply projects and the purchase of agricultural machinery.

Funds arising from the delivery of Norwegian products will also be used for rural development projects.

ASSISTANCE FOR AGRICULTURE IN POLAND AND HUNGARY

- Poland

At present Community assistance to Polish agriculture is concentrated on two main projects:

- a plant and seed protection programme estimated at ECU 50 million which provides for the delivery of 6 500 tonnes of plant protection products, technical assistance and the establishment of environmental monitoring in accordance with the FAO international code on the distribution and use of pesticides, and,
- a programme of delivery of animal feed and food additives for animals to a total value of ECU 20 million.

A project relating to the opening of lines of credit under the heading of import of equipment for agriculture and the agri-foodstuff industry for a total amount of ECU 30 million is in the final approval stage.

As regards the other donor countries, the United Kingdom has expressed its intention to make available a revolving credit line of UKL 15 million for the improvement of food processing plant and equipment. The funds will be deposited in the United Kingdom for the account of the Bank for Agricultural Economy which will channel the loans. Payments will be made in Poland in zlotys.

The United States is devoting a budget of USD 10 million (ECU 8 million) to a programme of aid for individual farmers implemented by the Catholic Relief Service. This programme provides agricultural inputs (sprayers, chain-saws) which are sold to Polish farmers. The yield from this sale will be used to finance water supply projects in rural areas. In addition, training and technical assistance measures are provided for. In the same way Canada is considering a training programme for young farmers (CAD 2 million, ECU 1.4 million) and a programme for the improvement of the management of agricultural holdings (CAD 1 million, ECU 690 000).

As regards Belgium priority is being given to the creation of parallel distribution circuits. The regional programme (Torun and Lublin-Pulawy) is in two parts: technical assistance for heads of agricultural holdings and future management staff of cooperatives, support for pilot projects or for infrastructure in the area of food preservation, for small dairies and for the manufacture of animal feed compounds (proposed total of BFR 20 million, ECU 473 000).

Polish agriculture will also receive support from Switzerland which is devoting a budget of ECU 17.6 million (SFR 30 million) for the delivery of goods and the reorganization of distribution channels. The Netherlands is devoting ECU 0.8 million to stockbreeding and Germany is planning to deliver secondhand machinery for a total amount of DM 10 million in the form of donations (ECU 4.8 million) and technical assistance (DM 10 million, ECU 4.8 million).

Ireland is setting aside a budget of IRL 92 000 (ECU 120 000) for a training project. New Zealand has set up a technical assistance development fund which will finance agricultural projects in Poland and Hungary. One of these projects concerns the development of a sheep and beef cattle pasture-based system to demonstrate to private farmers new methods of land utilization and livestock management.

In addition, the Polish Government has asked New Zealand assist in the implementation of its strategy for the restructuring of the agricultural sector (stockbreeding) by the introduction of New Zealand technology in certain regions of Poland. And finally an important New Zealand consortium is collaborating with the Polish authorities in the area of milk production.

The IBRD approved in February a project amounting to USD 100 million (ECU 80 million) with a view to supporting the rehabilitation and modernization of the existing agro-foodstuffs industry. The project also includes support for the marketing of this industry and will provide animal feed.

- Hungary

The Community programme for an amount of ECU 20 million for small farmers comprises essentially of technical cooperation, imports, credit guarantees and studies on the development of policies, investment and services in the future.

At a coordination meeting which took place on 10 April in Budapest with the participation of most of the G 24 donor countries the possibilities for cooperation and cofinancing were dealt with in detail.

As regards bilateral measures by the 24, on 5 April 1990 New Zealand signed a memorandum with Hungary for projects designed to introduce up-to-date technology systems in grassland farming to improve productivity in sheep and dairy farming and milk processing. The programme provides for a total amount of $NZ 250 000 (= ECU 117 000) intended for a technical assistance development fund and $NZ 125 000 dollars for training in this sector. New Zealand also intends to establish pilot farms in Hungary equipped with New Zealand technology.

The Netherlands have set aside a sum of ECU 70 000 for projects in this sector.

As regards Belgium the aid provided for will basically be intended for technical assistance measures in the livestock sector (BFR 6 million, ECU 141 000).

In Hungary the World Bank has approved an integrated development project for agricultural exports. This mainly concerns a line of credit placed at the disposal of private farmers, agricultural undertakings and agro-industries. This line, managed via commercial banks, will make it possible to finance imports of inputs and equipment. The IBRD

is asking the other fund donors to co-finance a technical assistance component included as part of this project. The Commission plans to participate in such a project.

- Poland and Hungary

The Austrian assistance programme for Poland and Hungary provides for the delivery to these countries of secondhand machinery for an amount of ECU 690 000.

Denmark will develop a technical assistance programme for Polish and Hungarian agriculture (ECU 955 000).

2. Training and human resources

Training is an important element in the various sectoral programmes. The countries concerned have stressed the need for training in the area of business management, vocational training, financial services and languages.

Within the framework of the G 24 working party on training a summary document has been drawn up relating to all the requirements expressed by Poland and Hungary as regards training on the one hand and corresponding "offers" from G24 members on the other. This document which forms the basis for a data bank is one of the results of the round table on training held on 8 and 9 February last in Brussels.

In addition, the Commission has communicated to the 24 the list of projects for which it intends to assume responsibility as regards training. Joint initiatives by the Commission and G24 members were also envisaged in the areas of language teaching and training in banking.

As far as the Community is concerned, on Monday 7 May the Council adopted a decision concerning the establishment of a trans-European mobility programme for higher education, known as TEMPUS, and a regulation setting up the European Training Foundation. Both of these cooperation instruments allow for the association of G 24 members in the related cooperation activities.

The Commission has also decided to establish a technical assistance mechanism for the launching of the TEMPUS programme in its initial implementing phase lasting nine months from 1 May 1990.

In addition, the Commission intends to promote the exchange of scientific knowledge and expertise on specific subjects within the area of economics between professional economists and academics in the Community and in Poland and Hungary.

As far as the USA is concerned, a budget of USD 10 million (ECU 8 million) for Poland and Hungary has been earmarked for technical assistance operations in the area of agriculture, trade in agri-business and business skills. Other operations will be financed in 1990 for the training of middle and senior management. Banks and financial institutions are a priority target for such training. In addition, grants are awarded to students in priority subjects in the private sector (economics, management, accounting, marketing). These funds (USD 10 million or ECU 8 million) will be administered by the International Student Exchange Programme of the University of Georgetown.

Twelve million dollars (ECU 9.7 million) will be used for educational and cultural exchanges intended to strengthen the process of democratic pluralism and underpin the transition towards the market economy in the two countries concerned. So far USD 3 million has already been committed to this end. Added to this are measures on behalf of newly established democratic institutions and non-governmental organizations (authorized amount = USD 12 million, ECU 9.8 million).

Finally, the United States intends to help Poland and Hungary face up to the employment problems which might result from the economic reform programmes (USD 5 million, ECU 4 million). The Labour Department is developing an unemployment insurance programme in Poland involving vocational retraining.

Belgium will finance staff training and further training operations for the staff of the Employment Ministries and their subsidiary bodies. Some projects will be carried out jointly with the International Labour Organization (total amount provided for is BFR 20 million or ECU 473 000). Training relates to the social dialogue, unemployment and employment.

The training programme for managers of overseas trading companies is the subject of a request for BFR 20 million (ECU 473 000) of the BFR 130 million (ECU 3 million) intended for Poland and Hungary. This programme consists of six-week crash courses and training within Belgian firms. Forty firms have declared themselves willing to take trainees.

The know-how fund set up by the United Kingdom sets out to help Poland and Hungary in their efforts towards political and economic reforms, primarily by means of training operations and technical assistance (total amount - UKL 75 million or ECU 104 million): business management, public and local administration, banking and finance, industry, agriculture, the civil service, the universities, accounting, journalism, information, electoral systems, language training, etc.

The United Kingdom is also taking part in the World Bank programme relating to the Polish social sector.

Sweden is devoting an important part of its aid to training courses for the public administration and technical assistance in the Polish mining industry.

Australia has just approved a 6 million Australian dollar training programme (ECU 3.8 million) for Poland, Hungary and Czechoslovakia. The programme involves scholarships for training in business management in Australia. The programme will begin in January 1991 and will consist of English courses, management training and a period of practical training with Australian firms.

In 1990, Germany will organize vocational training measures, seminars and internships for a total of DM 3 million (ECU 1.4 million). In Hungary this sector will receive aid amounting to DM 2.75 million (ECU 1.3 million).

As part of its training programme Turkey started placing Polish officials (60) on a number of courses on banking and management which will be organized in 1990. PLZ 1.9 billion have been transferred to Poland to cover the travel expenses of participants.

Norway has financed a number of training programmes in cooperation with notably the Polish Employers' Federation, and has financed a language laboratory for the University of Gdansk.

International marketing courses have been set up by Italy for Poland and Hungary. There are plans to organize a session in Warsaw (100 participants) and a session in Milan (for 20 participants selected from among them) specializing in the management of joint ventures. These courses would be intended for Polish heads of firms (at a cost of LIT 200 million). In Hungary these courses are intended for civil servants and businessmen and will also be organized in two stages, one in Budapest for 50 persons and the other in Milan for 20 persons selected from among the 50 (cost = LIT 225 million).

Japan has already accepted 100 Polish and Hungarian trainees (50 from each country) at the JICA (Japan International Cooperation Agency) which organize courses on business management and product control (1989 financial year). Japan has also contributed USD 1 million to UNIDO projects.

In 1990 (financial year) Japan intends to receive 300 trainees from Poland and Hungary (150 from each country) in the courses at the JICA and AOTS (Association for Overseas Technical Scholarships). Seminars on business management have taken place in the two countries. A preparatory mission was sent in May this year for productivity improvement projects which will be implemented in the two countries in the autumn.

In 1990, Finland will train 200 persons in Hungary and 50 in Poland for an amount of FMK 1.5 million and 0.7 million respectively (ECU 0.3 million and 0.14 million) in the following areas in Hungary: energy saving and management, marketing (foodstuffs industry), telecommunications, SME, privatization, research and technology and in Poland, agricultural management, energy saving, environment, research in the foodstuffs area. Other measures are planned for the end of the year (beginning of 1991). They will cost FMK 1 million in Hungary and FMK 0.8 million in Poland and will concern the environment sector, joint ventures and various industries. Finland is preparing training measures for Czechoslovakia (banking sector) privatization, forestry industry, SME) (FMK 0.5 million) and the training of Bulgarian experts on statistics has just begun (FMK 0.1 million).

Finland further plans to take part in the TEMPUS programme and in the European Training Foundation.

The amount allocated by Switzerland to training, science, politics and culture is SFR 30 million. Various measures are about to be taken: award of grants, contributions to the ILO, GATT, ECE/UNO programmes. For Hungary: help in establishing training programmes and languages and business management. In Poland: action concerning public administration and banking.

Spain is to finance the retraining of 2 000 Russian language teachers as Spanish language teachers and training operations in the banking sector.

The Netherlands is providing ECU 3.5 million for training and human resources. A large part of this is devoted to training in business management.

Austria has approved a training programme amounting to 20 million Schillings (ECU 1.4 million) for Poland and Hungary. In addition bodies such as the Federal Chamber of Economics, the National Bank and the industrial sector are financing training operations for a total of 30 million Schillings (ECU 2.7 million). With a view to the enlargement of the PHARE programme an additional amount of 15 million Schillings (ECU 1.1 million) is planned for other Central and Eastern European countries. The programmes concern mainly the training of middle and senior management.

As part of its action plan for Poland, Hungary and Czechoslovakia and the Baltic Republics (ECU 38.2 million in 1990/1991) Denmark has approved 56 technical assistance projects for an amount of ECU 3.3 million in the following areas: agriculture, energy/environment (ECU 861 000), education/training, public sector, etc. One programme provides for two months stay at Danish enterprises for middle management and technical staff from enterprises in Central and Eastern European countries (ECU 6.1 million in three years). And finally the Danish Government has decided to set up a fund (ECU 7.6 million capital) as well as to support measures to strengthen democracy in developing countries and in Central and Eastern Europe.

And finally, several countries are planning to participate in the Budapest International Management Centre. These include Canada, the United States, France, Italy and the Netherlands.

3. Environment and energy

Following visits to Poland and Hungary to identify needs a number of projects corresponding to the criteria of visibility, short-term impact and compatibility with an overall long-term strategy were selected by the 24. Although open to co-financing from the G24 countries, responsibility for these projects was assumed entirely by the Community but which are open to cofinancing by the 24. The Commission has decided to finance those programmes intended to improve pollution control systems, reduce emission of polluting gases, in particular in solid fuel power stations, combat water pollution, improve waste disposal and preserve or reorganize natural reserves and sites. Provision is also made for a training element. These programmes also include the financing of technical assistance, in the form of an implementing and project management unit set up within the environment ministries.

In total, they account for ECU 22 million in the case of Poland and ECU 25 million in the case of Hungary.

It should be added that, as regards Hungary, Community participation in the financing, in conjunction with the US and Hungarian authorities, of the planned Budapest Regional Environmental Centre will amount to ECU 2 million for the period 1990-91.

For its part, the USA is setting aside a budget of USD 10 million to improve the quality of air and water supplies in the Krakow region and to establish the Regional Environmental Centre in Budapest. These projects are placed under the control of the Environmental Protection Agency. The Department of Energy for its part will finance the retrofit of a coal-burning power plant in the Krakow region by delivering equipment designed to reduce air pollution.

Consideration is being given to financing a joint project with the Community on a conservation programme for the Mazurian lakes.

Belgium will set aside a budget of BFR 64 million (ECU 1.5 million) for environmental projects in Poland and Hungary, almost BFR 37 million of which is intended for improving the system of monitoring air quality and water pollution in the Mazurian lakes (establishment of a laboratory) and a research programme into tree diseases. In Hungary, the installation of air monitoring stations and training programmes will be financed by Belgium.

The environment in Poland is regarded as a priority within the Austrian aid programme which envisages subsequent participation in projects financed by the Community. Stress will be on toxic wastes from coal-fired factories. In Hungary, Austria is providing for a contribution to the Regional Environmental Centre in Budapest. In addition Austria is coordinating the environmental programmes within the framework of the pentagonal cooperation between Italy, Austria, Czechoslovakia, Hungary and Yugoslavia.

As far as Sweden is concerned an agreement worth SKR 300 million (ECU 40 million) was recently signed with Poland to finance projects in this sector.

Switzerland has set aside SFR 30 million for the environment, 20 of which relates to the provision of goods. The measures provided for immediately concern cooperation in the areas of waste treatment, in particular special waste, and training in environmental matters (Hungary) and Swiss participation in the Baikal Institute (USSR).

The United Kingdom will participate in studies by the World Bank on the conversion of the coal, petroleum, gas and electrical industry in Poland (for ECU 2 million) and together with the EIB will co-finance an audit in the area of electrical power.

Germany is financing a project to improve heating utilities in Gliwice (DM 40 million, ECU 19 million).

Italy has granted Poland a low interest loan for the environment (USD 30 million).

The Netherlands is carrying out two environmental projects the larger of which concerns the introduction into Poland of an advanced washing system for the retrieval of coal from spoil tips.

As regards Finland training courses are planned for Poland and Hungary in the area of energy saving and environmental protection. As regards Poland seminars have been held (or are planned between now and the end of the year) on the elimination of sulphur dioxide, the development of urban heating systems, the installation of boilers, waste water in the forestry industry; Polish experts will be trained in Finland in the area of research (air pollution), environmental technology, monitoring of radioactive substances in the Baltic, new fibres, etc.

In addition, in March 1990 the Finnish Government signed a cooperation agreement with Poland in the area of energy saving and environmental protection. The programme covers three years.

Finally, Finland is prepared to consider participating in the Budapest regional environmental centre.

The Danish Parliament has adopted a decision of principle on the establishment of an environmental protection scheme for Central and Eastern Europe (budget of ECU 63.7 million over five years from 1 January 1991). In addition Denmark is financing technical assistance programmes in Poland and Hungary in this sector.

France is planning a programme of reservoir agencies for water management in Poland.

The environmental component of the Norwegian assistance amounts to 10 million kroner (1.3 M ecu). Waste water and air pollution programmes are highlighted.

The EBRD programme in Poland centres largely on environmental strategy and the establishment of a technical assistance team to which the Commission will contribute an expert. An energy/environment project for Poland is to be approved shortly.

The EIB will finance an electricity project in Hungary and together with the World Bank will co-finance a project in the area of energy and the environment in Poland.

4. Investment and economic reforms

In order to achieve the objectives of reform the countries concerned are resolved to create a climate suitable for the mobilization of local capital and likely to attract foreign investment. To support their efforts the 24 are making every effort to strengthen their own instruments to promote and protect investment and help joint ventures and other forms of industrial cooperation. Some operations have already been undertaken including the development of a data base on the market situation of the recipients. A feasibility study has been carried out and the system proposed has received a general consensus of approval.

In order to sustain the economic reform and privatization process in Poland the Commission has adopted a technical assistance programme for the privatization agency amounting to ECU 9 million. The agency will be asked to prepare legislation and define procedures and the conditions necessary for the ordered privatization of Polish public enterprises. A similar project is in preparation for Hungary.

In Poland and in Hungary the Community will participate in efforts to modernize the financial systems. In Poland, in association with World Bank experts the Commission has carried out a detailed study to identify the conditions needed for the creation of a Polish reconstruction bank. In Hungary, the Commission is financing, to the value of ECU 5 million, part of the technical assistance and institutional support necessary for this operation. The programme will be implemented by the Hungarian National Bank in close cooperation with the consultative and implementation unit of the World Bank and of the Hungarian Banking Association. The IBRD will finance this programme to the value of USD 66 million.

In Hungary and in Poland the Commission will contribute to the establishment of commercial registers which are an essential element in the process of privatization and the creation of joint ventures.

And lastly the Community is about to launch a sectoral programme for the development of SME in the private sector composed of a loan element, technical assistance and an advisory service to the value of ECU 25 million.

In the United States two enterprise funds have been set up, one for Poland amounting to USD 240 million (ECU 195 million) and one for Hungary amounting to USD 60 million (ECU 49 million). In 1990 projects will be financed in these countries on behalf of the private sector (aid to SME, creation of joint ventures, feasibility studies, training operations and technical assistance). An amount of USD 10 million will be set aside for operations on behalf of Czechoslovakia, Romania, Bulgaria and Yugoslavia.

The United States has also announced the creation of a growth fund for Eastern Europe to finance productive projects in the private sector.

The EFTA countries have also established a development fund for Yugoslavia which amounts to almost USD 100 million (ECU 81 million). The fund is contributing to support the transition of Yugoslavia to a market economy by financing firms' investment projects, particularly those of SME.

Canada has also financed during the past financial year via an economic development fund of CAD 900 000 (ECU 733 000) for training activities, promotion of the private sector and Canadian investment. Other projects are planned such as sending an adviser to the privatization agency, organizing seminars on the promotion of investment and an investment guide in Hungary.

For its part the United Kingdom will finance in Poland technical assistance programmes for banks and assistance with privatization (UKL 1.5 million, ECU 2.1 million) and will support the UNIDO programme for the industrial sector in Poland (contribution of ECU 1.5 million) and Hungary (ECU 750 000).

Switzerland is planning investments, financial assistance for Poland and trade policy measures. ECU 160 million is allocated to this programme.

The state planning organization in Turkey is carrying out a study on a project concerning small scale industry development in Hungary for which USD 250 000 are provided for.

Italy has set up a state supported financing company (SIMEST s.a.), for purposes of participating in firms and joint ventures abroad, set up by Italian companies (or those in which they intend to hold a share). The starting capital of this company is LIT 98 billion, 52% of which is held by the External Trade Ministry. The capital may reach LIT 400 billion in 1992 (with the same share held by the Ministry). Initiatives on behalf of Central and Eastern Europe will be given priority during the first two years of activities.

Finland s efforts are concentrated on training measures in Poland and Hungary in the following sectors: privatization, SME, professional management (business sectors), joint ventures, etc.

Under the Danish Government's action programme to the value of ECU 38.2 million (see chapter on training of human resources) Denmark has established a fund with a capital of ECU 12.7 million to support Danish investment in the countries of Central and Eastern Europe. This fund may invest as a shareholder or by granting to joint ventures.

In addition an investment insurance scheme covering risks up to ECU 126 million has been approved.

New Zealand plans to conclude investment protection agreements and double taxing agreements with Poland and Hungary.

Ireland is organizing a project on the establishment of credit unit systems (cooperatives) in Poland, and a project to computerize the Ministry of Coordination.

Norway has established an export credit guarantee scheme amounting to 150 million kroner (19 m ECU).

In collaboration with Poland and Hungary Japan has agreed to begin negotiations on an agreement on the encouragement and protection of investment. Japan is prepared to extend its "Ex-Im" credits for a total amount of USD 1 billion to Poland and Hungary (USD 500 million to each) to promote investment and help these countries in their efforts to achieve structural adjustment (un-tied co-financing with international financial institutions such as the World Bank).

Finally, Japan is covering international trade and investment guarantees up to a ceiling of USD 350 million (ECU 285 million) with Poland. For Hungary the ceiling is USD 400 million (ECU 325 million).

As regards the United States the "Ex-Im" Bank provides guarantees to US exports to the Polish private sector. The amount provided for is USD 200 million.

Luxembourg has decided to raise the ceiling for the guarantee covering exports to LFR 800 million (ECU 18.9 million). This measure is directed towards all countries in Central and Eastern Europe. In addition Luxembourg has decided to amend the regulation concerning state to state credits by making them accessible to countries of Central and Eastern Europe. This instrument, with a capital of LFR 140 million, is intended to be used together with private firms.

The Netherlands is at present examining what instruments could be adopted to promote export to Poland and Hungary and investment in these countries.

World Bank and European Investment Bank

The EIB has already approved its first projects in Poland and Hungary. They involve a ECU 35 million loan in Hungary for an electricity project and ECU 20 million for co-financing with the World Bank a transport project in Poland.

In addition, the World Bank and the EIB are preparing telecommunication projects in the two countries, a sector in which bilateral measures are also planned. A further co-financing project with the World Bank concerns energy and the environment in Poland. Finally, credit lines are being established to complement operations by the Commission, the World Bank and some of the G24 countries.

As regards the World Bank projects for a total amount of USD 781 million (ECU 634 million) have been approved for Poland and Hungary. In Poland, the World Bank is financing industrial export development projects (USD 260 million), modernization of the agro-foodstuffs industry (USD 100 million), an environmental management project (USD 18 million), a project in the rail transport sector (USD 153 million) and one in the energy resources sector (USD 250 million). In addition, the World Bank has negotiated a structural adjustment loan to Poland (USD 300 million). As regards Hungary, the IBRD plans to modernize the financial system (USD 66 million) and the integrated development of agricultural exports (USD 100 million). In addition, a structural adjustment loan of

USD 200 million has been approved for Hungary. As we have already seen above many G24 countries are participating in the World Bank projects. Among them, Japan plans to participate in World Bank projects via a special Japanese fund set up at the World Bank and also to grant a non-tied credit to Hungary to co-finance the IBRD structural adjustment loan. For its part, Ireland is participating in the IBRD consultancy trust fund for an amount of IRL 100 000 for Poland and IRL 75 000 for Hungary.

5. Medical aid

- Poland

Community medical aid to Poland amounted to ECU 4 million in 1989 and will continue in 1990. The Polish authorities attach great importance to continued aid. Up to the present ECU 1 million has been devoted to diabetic and asthmatic children (special food).

With a view to coordination the Commission has drawn together some of the G 24 donor countries for exchanges of information on planned initiatives and measures undertaken by these countries for Poland, some of them of considerable scope.

United States medical aid to Poland in 1990 will consist of medical equipment for hospitals in country areas and the Krakow Children's Hospital. The total amount authorized is USD 4 million, with 2 million already allocated.

The United Kingdom is financing medical training in efforts to combat AIDS and is contributing ECU 375 000 for the establishment of a new international health centre in Budapest (for the Peto Institute).

Italy has sent medicines and health units for a total amount of LIT 10 billion (ECU 6.6 million).

The Netherlands has sent Poland medicines for an amount of ECU 4.3 million. These medicines were delivered by the Dutch Red Cross to distribution points organized by the Health Ministry for regional hospitals.

- Romania

Following the events of last December in Romania many of the G24 countries have organized aid to that country, among them France, the Netherlands, Austria, the United States, Ireland, Finland, Japan, Germany, Denmark, Norway, etc. For its part the Community sent ECU 11.5 million in emergency aid, ECU 7.3 million consisting of medical aid. In addition, ECU 1.8 million was sent for children suffering from AIDS and ECU 2 million for supplies of special food.